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VEIL

THE SECRET WARS OF THE CIA, 1981-1987

The Last Interview: 'I Believed'

Casey, Asked if He Knew of Contra Diversion, Finally Nodded Yes

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By Bob Woodward
Washington Post Staff Writer

In the fall of 1985, CIA Director William J. Casey invited Bernard F. McMahon, staff director of the Senate Select Committee on Intelligence, to his Langley office for a talk. McMahon, a retired Navy captain, had served as executive assistant to Casey's predecessor, Adm. Stansfield Turner. Casey, more than four years after succeeding Turner, still had lots of questions about Turner, how Turner had run his office, his attitudes, his people. He wanted an evaluation, past and present—total candor. Aren't the people here wonderful? Casey asked.

McMahon agreed: high quality, lots of brains.

"Why do you think they do what they do here?" Casey asked in dead earnest. "Why do you think they're here? What's it all about, really about?"

The excitement, patriotism.

"No, no, no," Casey said. "We have a chance to establish our own foreign policy. We're on the cutting edge. We are the action agency of the government."

Casey went for a physical exam that fall. Things were not right, he knew. The diagnosis was prostate cancer, and his chances for survival were complicated by his age, 72, and whether the cancer had spread. He asked for all available literature on the disease and soon agreed to an intensive regimen of daily radiation and chemotherapy treatments. He shared this awful news with his wife, Sophia, but decided that no one at the Central Intelligence Agency or within the administration was to know. But Casey told the president himself.

He knew now that there was no limitless timetable. Things had to get going.

Casey had already taken intelligence operations "off the books" in conjunction with the Saudi intelligence service, first with an unsuccessful operation to assassinate Sheik Mohammed Hussein Fadlallah, leader of the militant Shiite Moslem faction in Beirut known as the Hezbollah, and then a successful effort to bribe Fadlallah with $2 million of food and medicine to stop the bombings of American facilities.

Operating "on the books," Casey had finally won presidential approval for a covert operation to undermine the Libyan regime of Col. Moammar Gadhafi. The congressional intelligence committees had been properly and fully informed, but many members had raised objections that support for the anti-Gadhafi exile movement, which wanted Gadhafi dead, was precariously close to involvement in the banned assassination planning. Casey felt the operation was designed only to stop terrorism, not assassinate. But the operation leaked.

Casey went to see the president and slapped down on his desk a newspaper containing the story. "See," the director of central intelligence said, "I told you. congressional oversight can't work. Those bastards all leak."

The president wrote the intelligence committees a two-page letter, stating without qualification that the committees had leaked, and that it was an unscrupulous way to stop a covert action. The leak itself is just about the worst thing that ever happened to national security, and it threatens congressional oversight, the president said. He virtually accused committee members of treason.

The committees denied leaking, saying that the initial story in The Washington Post contained quotes from a top-secret document that neither committee had seen.

Then the relationship between Casey and the congressional committees went from bad to worse. The committees, never happy with Casey, found new and grave cause for further distrust. In early November 1985, KGB defector Vitaly Yurchenko, who had come to the CIA that summer, bolted from his CIA handler in a Georgetown restaurant and returned to Moscow. Before departing, Yurchenko leveled an embarrassing barrage of publicity at Casey and the CIA. The intelligence committees gave Casey hell publicly and in private.

To make matters almost unbearably complex, Yurchenko had provided information that led to the unmasking of two men who were spying against the United States: former CIA officer Edward Lee Howard, who had betrayed many CIA assets and operations in Moscow, and Ronald W. Pelton, who had sold vital secrets on communications intelligence eavesdropping operations conducted by the National Security Agency against the Soviets.

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tees. It was, in some respects, an easy call when he forwarded to the White House a draft presidential order, or "finding," on Iran that retroactively authorized the CIA to assist in shipping arms to Iran as part of an exchange for the American hostages in Lebanon. The finding directed Casey "not to brief the Congress of the United States" on the operation.

The Iran arms sales stayed secret for almost a year, until early last November. Then, a Lebanese magazine disclosed one aspect of the operation, and the floodgates opened. Casey was called to Capitol Hill to explain the operation.

At 9:30 a.m. last Nov. 21, Casey appeared in a top-secret session before all 15 members of the House Permanent Select Committee on Intelligence. There was much unhappiness. After Casey read a 10-minute summary, Chairman Lee H. Hamilton (D-Ind.) unequivocally challenged Casey's view that notification of covert action could legally be delayed about 10 months. Casey responded coolly, "We are talking about a constitutional prerogative which presidents have claimed .... I think it was a bona fide attempt in which the things we committed were rather small and certainly proportionate to the magnitude of the things we were trying to achieve." The kind and amount of weapons sold, he said, were insignificant.

"You've got to take those risks, or sit and let the world go by," he said. "I personally was in favor of taking the risks in a cautious and prudent way.

"I wouldn't now be willing to say I wouldn't take the risk if I could do it over again."

Some Republicans jumped in, defending the president's decision, and arguing that the committee leaked. Rep. Dave McCurdy (D-Okla.) asked, "Who managed the operation, Mr. Casey?"

"I think we're all in it. It was a team." The national security adviser was Vice Adm. John M. Poindexter.

"Who headed the team? Who called the shots? Was it Poindexter or Casey?"

Casey replied, "I think it was the president."

Contra Diversion Disclosed

Four days later, Attorney General Edwin Meese III disclosed at a nationally televised news conference that some profits from the Iran arms sales had been diverted to aid the Nicaraguan contras.

The next day, Nov. 26, I reached Casey on the telephone to ask how the administration became involved with the arms sales to Iran.

[illegible] work with the Iranians, for the purpose of getting close to the military," Casey said. "It seemed credible to us, based on the future, post-Khomeini era," he said, referring to the Iranian leader, Ayatollah Ruhollah Khomeini.

Why were there profits that could be diverted to the contras?

"Iran was willing to pay more," he said, and suggested that any "illegality" found would be on the part of others.

Who?

He paused. "Poindexter just got caught."

Did you know about the diversion to the contras?

"The law said I had to stay away," he said, reiterating what Meese had said at his news conference, that no one at the CIA knew, including the director.

The contras are your boys, you must have had a clue that they were getting $10 million to $30 million?

"Gossip," he snapped. "I learned yesterday of it for sure from Meese."

You didn't know what the key National Security Council aide, Marine Lt. Col. Oliver L. North, was doing?

"Goddammit—no one will go to jail ... inside the Beltway." He hung up.

On Monday, Dec. 15, Casey was in his seventh-floor office at Langley preparing for an appearance before the Senate intelligence committee when he suffered a seizure. An ambulance rushed him to Georgetown Hospital. He had another seizure, but was speaking and moving normally. On Thursday at 7:40 a.m., he was taken into surgery, and a three-member team operated until 1 p.m., removing a cancerous soft tumor called a lymphoma. It was scooped out from the inner side of the left brain, the area controlling movement of the right side of the body. In a statement, his doctors said they expected that the 73-year-old Casey would be able to resume his normal activities.

Robert M. Gates, Casey's deputy, took over as acting director of central intelligence. He spent much of January resisting White House pressure to suggest a replacement for Casey, who was seriously ill and virtually unable to speak. Forced to come up with names, Gates proposed former senators John Tower (R-Tex.), Paul Laxalt (R-Nev.) or Howard H. Baker Jr. (R-Tenn.). None of them would come in and tear the place to shreds, he hoped.

After six weeks, Casey improved dramatically. On Wednesday, Jan. 28, Gates was allowed to visit him in the hospital.

Casey was sitting by the window. He never had much hair, so the hair loss from radiation and drug treatment was not that noticeable. Gates had a list of [illegible] subjects to cover, and he began. Casey was lucid, making short comments or grunting as Gates moved down the list.

"Time for me to get out of the way," Casey finally said, waving his left arm in the air, "make room."

The next day Gates arranged for White House chief of staff Donald T. Regan and Meese to visit the hospital. Casey couldn't write, so his wife, Sophia, signed his resignation letter. He had served six years and one day.

'Key Unanswered Questions'

I took a list of persisting questions, added some from previous years and drove to Georgetown Hospital. Two unusually heavy snowfalls had blanketed Washington in the latter part of January and traffic was thin. I didn't have to wait long in the lobby to see one of the telltale CIA security men with his walkie-talkie earpiece. He went down a long corridor, turned left into a new wing and took the elevator. It stopped at the sixth floor. I went up. In a small room, four CIA security men were watching afternoon television.

Casey was in Room C6316, registered under the alias "Lacey." The door was closed, and after I identified myself, the lone security man declined to let me in.

Each time I had interviewed Casey over the previous three years, I had written out my questions on sheets of yellow legal paper. I had saved all these sheets and now had a thick packet of many folded and old pages. Some questions—asked, answered by Casey and verified elsewhere—now only prompted more curiosity. As I spent several hours reviewing what I might want to ask, I attempted to condense it to one page: "Key unanswered questions for Casey."

More than ever it was evident how preeminent this man had been to the Reagan administration's aspirations and predicaments. As much as anybody, even the president, it was Casey whose convictions, fierce loyalties and obsessions were behind the contra operation, the Iran initiative and the range of other secret undertakings and clandestine relations. His view of the law—minimum compliance and minimum disclosure—had permeated the Reagan foreign-policy enterprises. His ambition had been to prove that his country could do "these things," as he once told me. He meant covert actions conducted in true, permanent secrecy. It was part nostalgia. It was also part a demonstration of will.

"We could win," he once said longingly to a top assistant. He felt his big accom-

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America from going communist, much like America's post-World War II achievement in saving Western Europe from the communists. Sophia Casey told me in a phone conversation, "From the head and the heart, Bill was a born patriot."

Was he? Was that what it was about? His country at any cost? What price had been paid? Now that the game was about over, I realized that I could not escape making a judgment. I had scrupulously avoided that for the 3½ years I had known him. It was easier and safer for me that way. For some reason we had formed a partnership over secrets. During this game, secrets were the exchange medium. What were the secrets? What was their value? What was their use?

He had been an attractive figure to me because he was useful and because he never avoided the confrontation. He might shout and challenge, even threaten, but he never broke off the dialogue or the relationship. In 1985, when The Washington Post had exposed that the CIA was training Lebanese teams to make preemptive strikes against terrorists in the Middle East, he had said to me, "You'll probably have blood on your hands before it's over." That was, I later learned, after Casey had worked secretly with the Saudi intelligence service and the Saudi ambassador in Washington to attempt to assassinate Fadlallah. Instead of Fadlallah, the car bomb had killed 80 people.

How did he square that? I imagined, and hoped, he felt the moral dilemma. How could he not? He was too smart not to see that he and the White House had broken the rules, probably the law. It was Casey who had blood on his hands.

The institutional questions about the White House, the CIA, Congress, the political temptation of covert action, the war-making authority and the awful fakery of "plausible deniability" would be addressed by those investigating the Iran-contra affair. I kept coming back to the question of personal responsibility, Casey's responsibility. Events and disclosures would not take him off the hook; they would, most likely, put him on it even more. For a moment, I hoped he would take himself off the hook. The only way was an admission of some kind or an apology to his colleagues or an expression of new understanding.

At the end of "Key unanswered questions for Casey," I wrote: "Do you now see that it was wrong?"

Several days later I returned to Casey's hospital room. The door was open. Scars from the craniotomy were still healing. I asked Casey how he was getting along.

Hope and then realism flashed in his eyes. "Okay . . . better . . . no."

I took his hand to shake it in greeting. He grabbed my hand and squeezed.

"You finished yet?" he asked, referring to the book.

I said I'd never finish, never get it all; there were so many questions. I'd never find out everything he had done.

The left side of his mouth hooked up in a smile, and he grunted.

Look at all the trouble you've caused, I said, the whole administration under investigation.

He didn't seem to hear. So I repeated it and for a moment he looked proud, raising his head.

"It hurts," he said, and I thought he was in physical pain.

What hurts, sir?

"Oh," he said, stopping. He seemed to be saying that it was being out of it, out of the action, I thought. But he suddenly spoke up, apparently on the same track about the hurt. "What you don't know," he said.

In the end, I realized, what was hidden was greater. The unknown had the power, he seemed to be saying, or at least that's what I thought. He was so frail, at life's edge, and he knew it, making a comment about death. "I'm gone," he said. I said no.

You knew, didn't you, I said. The contra diversion had to be the first question: You knew all along.

His head jerked up hard. He stared, and finally nodded yes.

Why? I asked.

"I believed."

What?

"I believed."

Then he was asleep, and I didn't get to ask another question.

A few weeks later, Sophia Casey took him home, but he was soon back in the hospital. She finally took him home to his estate, Mayknoll, on Long Island. He contracted pneumonia and was hospitalized. There, on the morning of May 6, the day after Congress began its public hearings on the Iran-contra affair, Casey died.

Barbara Feinman, of The Washington Post, was research assistant for "VEIL: The Secret Wars of the CIA, 1981-1987,"

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BOB WOODWARD

The reporter unveils his latest book, a look at Casey's CIA, and lets loose a controversy

By Gregory Katz
USA TODAY

WASHINGTON — Bob Woodward has a new book and, once again, a president is calling it a pack of lies.

This time, the man who shot down President Nixon during Watergate takes aim at the CIA and its late director, William Casey.

Veil: The Secret Wars of the CIA is rocking official Washington with tales of illegal assassination attempts, questionable arms deals and Casey's disregard for the law.

President Reagan says it's fiction, the president of El Salvador agrees, and even a Lebanese terrorist leader in Beirut says the book is bogus.

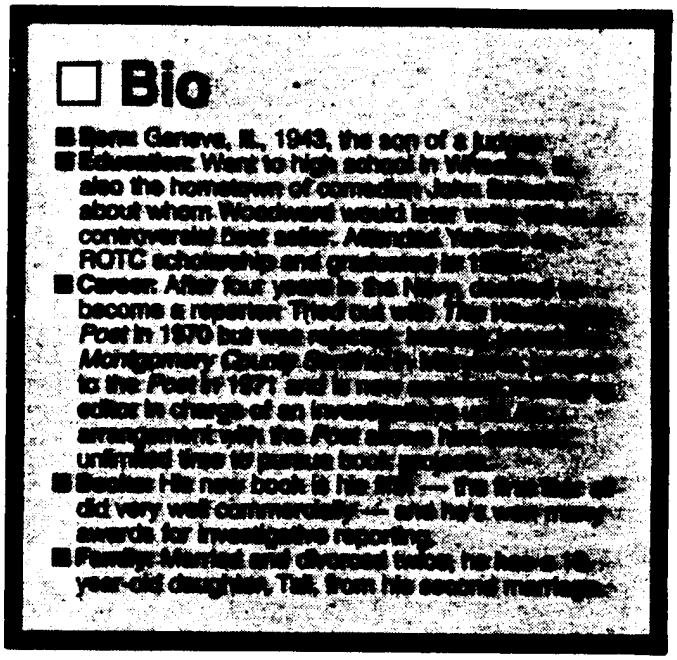
Woodward loves the attention: Controversy means publicity, and that sells books. And he's confident his story is true.

"My life as a reporter has always been contested ground," he says. "There have been lots of denunciations. But with the people I work with at the *Post*, we've learned the method of going back, getting documents and nailing things down."

With a contented smile, he recalls official Washington making fun of his and co-author Carl Bernstein's account of soon-to-resign Richard Nixon forcing Henry Kissinger to get down on his knees and pray with him at the White House. "But both of their memoirs eventually came out and they both mentioned it."

Woodward says the book grew out of a series he planned on whether Reagan and Casey's beefing up of the CIA had made the world a safer place.

The idea felt right. "It was immediately clear to me that Casey was one of the most interesting people in the administration. Imagine a man like Casey with a multibillion-dollar intelligence capacity, satellites, eavesdropping devices, super high-tech stuff that goes beyond what's even in the spy novels."



The young reporter who took on Nixon is 44 now. He lives in a gracious, million-dollar home with his girlfriend, *Post* reporter Elsa Walsh, and her Lhasa apso dog, Pym.

They have a pool out back and lovely French country furniture inside — but a rather large computerized rowing machine bisects the living room. Upstairs are a suite of offices and a guest room where friends, including Bernstein, have stayed when their marriages are on the rocks.

The man *Post* owner Katharine Graham proudly calls an "all-American boy" has become more than just a reporter. Hollywood loves his books: *The Final Days* is expected to become a TV movie, his John Belushi book, *Wired*, has been purchased and there are many inquiries about rights to *Veil*. He even co-wrote a script for *Hill Street Blues*.

The result is something new: the reporter as conglomerate, wealthy man about town. He even bought a 45-foot ketch and taught himself the ropes of sailing, a trick that astounded friends who thought he was a klutz.

"I look at boats and assume you have to be born into it, to be part of the William Buckley clan," says *Post* columnist Richard Cohen, a close friend. "I always assumed Bob had sailed for years, but he bought the boat, read all the books and learned how. He has that kind of confidence. I could never have learned how."

Typically, Woodward lost interest in the boat after a few years and sold it. Now he's likely to spend his leisure time reading CIA books or listening to classical music on CD.

His status as a top-flight reporter is assured; his talents as an editor are questioned.

His rise through the ranks at the *Post* was slowed by his role as Janet Cooke's editor. She had to return a Pulitzer Prize after admitting her shocking story about a young heroin addict was fake.

"His strengths as a reporter — his persistence, his one-track mind — probably got in his way as an editor," says Jonathan Neuman, who worked with Woodward for three years before leaving the *Post* for *The Philadelphia Inquirer*.

Neuman remembers Woodward as a workaholic. The staff

Continued

By Tim Dillon, USA TODAY

WHY IS THIS MAN SMILING?: Because he loves the furor over 'Veil.' 'My life as a reporter has always been contested ground' — ground that has included Nixon, Belushi and the Supreme Court.

tried practical jokes to loosen him up, "but it was as if he didn't know how to respond." And when Woodward tried to act like one of the guys, it didn't work. But, says Neuman, Woodward has grown a lot since then.

A turning point came when Woodward discovered sailing. Neuman remembers one sunny workday when Woodward did the unthinkable and left the office early to go fishing. He came back with a mess of bluefish and invited the staff to an impromptu party at his house.

Away from the competitive *Post* newsroom — where some careers skyrocket and others languish — Woodward is a man who is totally giving with the ones he loves, Cohen says.

"It's easy enough for a person in his position to give you money if you need it, but time is what he cherishes the most, and if you need Bob he will drop whatever he's doing and help," Cohen says.

Many expect Woodward — cast as something of a counter-culture hero when he helped topple Nixon and was played by Robert Redford in *All the President's Men* — to be a rebel straight from the '60s. The image is wrong.

"If you look at his history, there isn't an ounce of conventional radicalism," Cohen says. "Yale ... the Navy ... Wheaton, Ill. ... a father who's a judge. He's not anti-establishment. What he has is a strong conviction that the more information the public has, the better off everybody is."